LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7630 | **NOTE PREPARED:** Jan 15, 2007
BILL NUMBER: HB 1575 | **BILL AMENDED:**

SUBJECT: Sales Tax Exemptions.

FIRST AUTHOR: Rep. Fry | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill provides that all cargo trailers and recreational vehicles that are: (1) purchased by nonresidents; (2) transported out of Indiana within 30 days; (3) registered for use in another state or country; and (4) not registered for use in Indiana; are exempt from the State Gross Retail Tax. (Current law imposes an additional requirement that the cargo trailer or recreational vehicle must be registered in a state that grants a similar exemption to Indiana residents.)

Effective Date: July 1, 2007.

Explanation of State Expenditures: This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Sales Tax forms, as well as update computer software. It is estimated that the provisions of this bill can be implemented within the existing level of resources available to the DOR.

Explanation of State Revenues: This bill exempts sales of RVs and cargo trailers to nonresident purchasers who take the RV or trailer out of state within 30 days and register it in another state, including any state which does NOT provide a reciprocal drive-away exemption. This provision is estimated to decrease Sales Tax collections between $1.5 M and $3.2 M annually.

Indiana's current drive-away exemption only applies to sales of RVs and cargo trailers to nonresidents who take the RV or trailer out of state and register it in another state which provides a reciprocal drive-away exemption. Under current law, Indiana RV and cargo trailer dealers are required to collect 6% in Indiana Sales Tax for sales to nonresidents who plan to register the RV and cargo trailer in a state which does NOT provide a reciprocal drive-away exemption.

The DOR lists eight states on Form ST-137 RV which do not provide a reciprocal drive-away exemption. Those eight listed states are California, Florida, Maine, Massachusetts, Michigan, North Carolina, South Carolina, and Mississippi.

Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Background Information: P.L. 81-2004 repealed a Sales Tax exemption for motor vehicles, watercraft, trailers, and aircraft purchased in Indiana and registered out of state. P.L. 195-2005 (SEA 213-2005), effective July 1, 2005, reestablished the aircraft exemption and a partial exemption for cargo trailers and RVs. The partial exemption, which is current law, allows an exemption equal to the difference between Indiana's 6% Sales Tax rate and the rate of the purchaser's home state. P.L. 92-2006, effective July 1, 2006, provided a full drive-away exemption for purchases of RVs and cargo trailers by nonresidents who planned to register the vehicle in another state which provided a similar drive-away exemption to Indiana residents.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Adam Brown, 317-232-9854.